

How to Properly Exclude

SELECTED VENDORS

from Your Third Party Risk Management Program Scope

One of the most common questions asked is, "Does every one of the vendors that we do business with need to be in our third party risk management program?"

The answer is not as simple as a yes or no.

While you should absolutely make sure you're gathering an inventory of all third parties, perhaps by going to Accounts Payable and setting a threshold dollar amount, you're likely to have a list of thousands of third parties to sift through. You'll quickly be able to set aside those that represent no real risk to your organization.

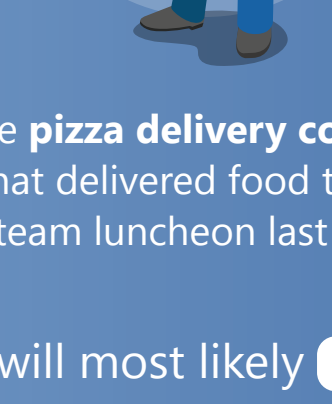
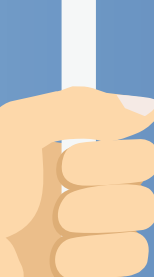
RISK!

How to Determine If the Vendor Poses Any Risk to You

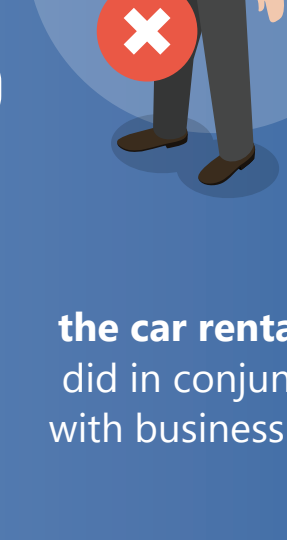
If you answer YES to ANY of the following questions, chances are the vendor may not pose enough risk to actively monitor or reasonably be able to try to oversee and conduct all of your typical risk related activities.

- 1 Are they a government agency?
- 2 Are they a utility company?
- 3 Do they fall below a certain threshold dollar amount (based on your policy but be careful not to exclude certain ones, such as attorneys, just based on a dollar amount)?
- 4 Are they an office supply or food delivery company?
- 5 Are they a licensing company?

EXAMPLES



and



the car rental you did in conjunction with business travel

The pizza delivery company that delivered food to your team luncheon last week

will most likely **not represent any real risk** to your organization.



You're not going to be able to conduct your typical due diligence on the **telephone company, US Postal Service or Federal Reserve** if you use FedWire.



It's important you consider the vendors in your business continuity plan but you're not likely to get all of the information you want from them.

Some companies write them out of scope entirely, along with other vendors like the **card licensing networks, utility companies and board-appointed consultants**, in the case of confidential matters such as negotiating a merger of the organization.

GOALS

Your **goal** is to ensure that you have a list of third parties that you'll need to actively manage through the full course of risk management practices such as the risk assessment, annual due diligence and ongoing monitoring.

Ideally, this process starts ahead of the contract for new third parties with a documented procedure for selecting new service providers.

Once you've narrowed down the list and confirmed its accuracy with the various business units, you'll have a solid list of third parties. Compare the list to the third party risk management policy or program's scope of coverage section to be sure you haven't omitted anything that should be covered.

VENDORS

Some Common Vendors That Are Often Overlooked but Should Be Included

Here are several examples of vendors that should be included but are often overlooked.



Cleaning Crews



Attorneys



Title Agents



Consultants

Be certain to explain the rationale for excluding, or including, certain third parties. You certainly don't want to set yourself up for criticism for failing to properly identify your third parties and manage risk; conversely, you don't want to put yourself out on a limb to get full due diligence or monitoring on a vendor that doesn't require it.

Third party risk management is a risk-based activity, therefore, properly identifying who is in and who is out is a critical starting point.

Download free due diligence samples and see how Venminder can help you reduce your third party risk management workload.

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